1985 Home Buyers Survey: Prices Rise Modestly

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The median home price paid by buyers in the nation's leading metropolitan centers nudged up slowly last year.

Chicago Title's 10th annual survey of recent home buyers, which analyzes home buying trends in 11 representative major metropolitan housing markets nationwide, reveals that the median home price rose just 1.1 percent—from $89,400 to $90,400—in 1985.

For repeat buyers, the median price rose 5.5 percent—from $100,400 to $106,200. However, first-time buyers paid less in 1985 than they did the previous year. For this buying group, the median price dropped from $81,500 to $75,100, a decline of 7.8 percent.

Almost two of every three buyers last year were repeat buyers. First-time buyers were 36.6 percent of the market, down from 37.7 percent the previous year.

Why first-time buyers paid less in 1985 than they did the previous year is partly explained by timing and subtle changes in buyer profiles. As the housing market rebounded in 1983, it appears that a more selective and possibly more affluent segment of the buyer group stayed out of the market, waiting for mortgage rates to drop before making an appearance as part of a second wave of buyers in 1984. The economics influencing the third wave of buyers (those purchasing in 1985) appear to be more comparable with the 1983 first-time buyer group.

In 1985, the average monthly mortgage payment for first-time buyers was $794 compared with $810 in 1984. The average monthly mortgage payment as a percent of family income was 32.7 percent, down from 33.7 percent the previous year. Median household income was up from $35,070 to

TENTH ANNUAL NATIONAL SURVEY OF RECENT HOME BUYERS (in major metropolitan markets)

Characteristics	1985	1984	1983	1976 (Base Year)
Median price of home purchased	$ 90,400	$ 89,400	$ 90,000	$ 43,340
Median price for first-time buyers	75,100	81,500	73,100	37,670
Median price for repeat buyers	106,200	100,400	101,800	50,090
Average monthly payment	$ 986	$ 868	$ 794	$ 329
First-time buyers	794	810	697	313
Repeat buyers	963	907	866	342
When household income is less than $30,000	$ 633	$ 637	$ 601	NA
When household income is $30,000-40,000	774	NA	NA	NA
When household income is $41,000-50,000	841	NA	NA	NA
When household income is $51,000-60,000	1,009	NA	NA	NA
When household income is $61,000 or more	1,200	NA	NA	NA
Average monthly payment as percent of income	30.0%	30.3%	32.5%	24.0%
First-time buyers	32.7%	33.7%	33.4%	23.0%
Repeat buyers	28.0%	28.0%	31.8%	24.9%
Buying for the first time	36.6%	37.7%	40.5%	44.8%
Previously owned a home	63.4%	62.3%	59.5%	55.2%
Average age of first-time buyers	28.4	29.1	28.9	28.1
Average age of repeat buyers	38.4	37.8	37.3	35.9
Average number of houses looked at	14.9	13.6	11.7	12.3
Average number of months buyers look before deciding	4.3	3.8	4.4	4.0
First-time buyers	4.7	4.2	5.7	4.3
Repeat buyers	4.0	3.6	3.5	3.8
Bought new houses	23.8%	22.3%	26.4%	15.1%
Bought used houses	76.2%	77.7%	73.6%	84.9%
Bought single-family homes	87.0%	89.9%	87.8%	88.8%
Bought multiple-family homes	4.2%	2.5%	4.6%	4.8%
Bought condominiums	6.4%	7.6%	7.6%	6.4%
Bought co-ops	2.4%	NA	NA	NA
Married	76.3%	76.0%	81.0%	NA
Widowed	3.0%	1.6%	1.6%	NA
Divorced/Separated	10.0%	11.2%	7.7%	NA
Single	10.7%	11.0%	9.7%	NA
Two-income families	77.4%	74.5%	71.8%	NA
First-time buyers	85.8%	85.8%	87.4%	NA
Repeat buyers	72.2%	68.5%	59.6%	NA

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Characteristics	1985	1984	1983	1976 (Base Year)
Down payment as % of sales price				
Average down payment	24.8%	20.9%	22.9%	25.2%
First-time buyers	11.4%	13.2%	15.7%	18.0%
Repeat buyers	32.7%	25.6%	27.8%	30.8%
Down payment of 5%		7.6%	7.3%	9.3%
10% or less	43.7%	41.3%	48.9%	26.9%
20% or less	68.2%	72.6%	70.0%	60.2%
More than 50%	16.3%	9.7%	11.1%	13.8%
Paid in full	4.5%	4.2%	6.3%	NA
First-time buyers	1.3%	0.5%	1.0%	NA
Repeat buyers	6.4%	6.5%	9.8%	NA
Type of mortgage financing				
Conventional fixed rate	64.2%	NA	NA	NA
Adjustable or variable rate	23.2%	NA	NA	NA
Seller financed or contract loan	3.0%	NA	NA	NA
Other	9.6%	NA	NA	NA
Average down payment breakdown				
Of first-time buyers				
Own savings and investments	79.9%	78.8%	81.6%	80.1%
Lending institutions	2.2%	5.6%	7.1%	4.5%
Relatives	11.5%	13.2%	9.8%	10.8%
Others	6.6%	2.4%	1.5%	4.0%
Of repeat buyers				
Previous home sale	55.0%	44.5%	55.9%	NA
Savings and investments	36.8%	45.8%	36.4%	NA
Lending institutions	2.5%	3.8%	3.3%	NA
Relatives	1.1%	4.4%	2.0%	NA
Others	4.6%	1.5%	2.4%	NA
Average time to save down payment				
First-time buyers	1.8 yrs.	1.8 yrs.	2.3 yrs.	2.4 yrs.
Average family size	2.7	2.9	3.1	NA
First-time buyers	2.6	2.7	2.8	NA
Repeat buyers	2.8	3.1	3.2	NA
Median household income	$42,400	$38,700	$35,600	$20,840
First-time buyers	37,520	35,070	33,090	20,480
Repeat buyers	47,380	42,200	38,590	21,080

NA—Not Available
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$37,520 in 1985, an increase of 6.9 percent.

These figures compare to an average monthly mortgage payment of $963 for repeat buyers, up from $907 in 1984. However, the average monthly payment as a percent of family income held steady at 28 percent as median household income for this buying group rose 12.3 percent—from $42,200 to $47,380—in 1985.

Two-income families have continued to push median income higher in the current economic cycle (see sidebar on page 12). Last year, 76.3 percent of all home buyers were married couples. Among these, three out of every four families had two wage earners. And in 92.6 percent of these families, both partners were employed full time.

In 1982, less than 50 percent of repeat home buyers were two-income families. Today, that figure has risen to 72.2 percent. Over the same time period, the percentage of first-time buyers in this category has risen from 62.4 percent to 85.8 percent and appears to have leveled off at this point.

Overwhelmingly, home buyers in 1985 continued to express their preference for single-family homes, with almost nine of every 10 home sales in this category. Residential resales out-totaled new home sales by a margin of four to one last year.

For the first time, the study analyzed the type of mortgage financing used by buyers. Among all buyers, 64.2 percent used conventional fixed-rate mortgages, 23.2 elected adjustable or variable rate mortgages and 3 percent opted for seller financed or contract loans. Some other type of financing was used by 7.9 percent of all buyers.